

File Argentina  
5/23/77

Argentina - Human Rights

Statement of Issue

The human rights situation in Argentina is threatening US-Argentine relationships. There are five loans for Argentina proposed by international financial institutions (IFIs) within the next six week period. We wish to use the occasion of Secretary Blumenthal's meeting with Economy Minister Martinez de Hoz in Guatemala to (a) underscore to Argentine authorities the President's decision to use voice and vote to advance the cause of human rights in all IFIs; (b) indicate that we may be unable to support some of the loans proposed for Argentina; and (c) seek to determine how the GOA will handle these loan proposals; and (d) urge the GOA to take some specific remedial actions to improve its human rights situation.

BACKGROUND

The human rights situation in Argentina remains grim. Leftist terrorism, a sort of blind, anarchic variety, continues although at a reduced pace. Even so, President Videla's aircraft was almost blown up upon takeoff this year, and Foreign Minister Guzzetti very narrowly survived an assassination attempt. The Argentine government, for its part, refuses to acknowledge the names of thousands of political detainees. Disappearances, prolonged period of incommunication, intimidation of lawyers and journalists, and the harassment of foreign refugees are undeniable. While conditions have improved somewhat in certain prisons with the initiation of Red Cross inspections, torture continues to be used and goes unpunished.

We have been signalling our concern over human rights clearly and repeatedly for over a year. In December we successfully induced the Government to withdraw a \$30 million loan for industrial credits in the IDB. In February we curtailed military assistance credits. In March we voted for a \$105 million highway project in the IBRD, but only after making a statement to the World Bank Board on human rights. Our IBRD action prompted an angry reaction from the Argentine delegate, who accused us of politicizing the IFIs.

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The State Department is in the process of developing an overall strategy for implementing our human rights policy vis-a-vis Argentina. Given the President's decision to use our voice and vote in the IFIs to further our human rights objectives, it seems clear that one element of this policy will relate to IFI loans. In addition, the existing legislation (Harkin Amendment) requires us to vote against loans to human rights violators unless the loans are of benefit to the needy. Consequently, pending the development of a more specific strategy toward Argentina, we will need to scrutinize all loans carefully.

Attached is an annex providing background information on upcoming loans in the IBRD, IFC and IDB. With regard to at least one of these loans, if not two or three, there is some question whether the loan can be considered of direct benefit to the needy. We may wish to oppose these loans if the Argentines force them to a vote. It is not in our or the GOA's interest to provoke an open confrontation. Rather our approach should be to attempt to persuade the Argentines to postpone those loans which give us the most difficulty. The IBRD \$100 million loan should be the focus of our attention since it is clearly the most difficult to justify on needy grounds. Therefore we should urge the Argentines to delay this loan. We should also indicate, however, that we may have problems with other loans and we should attempt to avoid a confrontation on them.

#### TALKING POINTS

-- Mr. Minister, it is a pleasure to meet the man who has led an astonishing turnaround in Argentina's economic prospects. We would like nothing better than to see your fine efforts prosper.

-- It has been very disappointing for us, however, to witness the seemingly unending political violence in Argentina, which seems to be creating new hatreds which may destroy political stability.

-- While everyone recognizes that terrorism is not over in Argentina, it is clear that the military government has broken the back of the extremists. We cannot understand, therefore, why a trend toward political moderation and the restoration of due process is not evident.

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-- Candor requires that I mention the serious problem we now have in voting for Argentine loans in the IBRD and IDB. There are five loans for Argentina, totaling \$265 million, now scheduled to be considered in the banks by June 30.

-- President Carter has stated that he believes we should use our voice and vote in the international financial institutions as a means of registering our desire to encourage improvements in human conditions. In addition, in the case of the IDB, the Harkin Amendment requires us to vote against loans to countries demonstrating a consistent pattern of gross violation of human rights unless the loans are of direct benefit to the needy.

-- It is becoming extremely difficult for us to support loans to the Argentine government when there is no apparent movement toward legal forms. Continuing reports of secret arrests and torture are distressing. Surely, with the military government clearly holding the upper hand, it should be possible to acknowledge the names of all being held under the State of Siege provisions of the Argentine Constitution. Failure to do so is causing great anguish to the next of kin. We cannot understand why people cannot be arrested in daylight and given the right to legal protections. Perhaps the problem of political prisoners could be eased by reinstituting the right under your Constitution whereby prisoners can opt for voluntary exile.

-- These are simply a few thoughts on the kind of actions that would indicate Argentine is back on the path of law.

-- You are no doubt even more anxious than we are to see your country return to its honored place in the Western world. In the meantime, it would be helpful if your government requested a postponement in the upcoming IBRD Industrial Credit Project for Modernization of Export Industries, pending an improvement in the human rights situation.

-- With respect to the IDB loans, we are concerned that the provisions of the Harkin Amendment may apply. We will be looking at the loan proposals carefully and in case we reach a judgment that we would have to oppose a loan, I think it would be in our mutual interests that these loans also be delayed until a more propitious time.

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-- This would help us to avoid a possibly divisive issue in our relations and allow your loans to be considered at what I sincerely hope will be more propitious conditions.

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Drafted: EB/IFD/ODF:FHThomas  
D/HA:MBova *ly F.T.*  
ARA/ECA:FRondon  
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## Clearances:

ARA/ECA:RZimmermann  
EB/IFD/ODF:JABWinder *ly F.T.*  
D/HA:MSchneider *ly F.T.*

List of Upcoming Loans for Argentina  
in International Financial Institutions

			<u>Est. Date of Board Consideration</u>
IDB	\$40m (of which 10 is FSO)	Urban and Rural Potable Water	June 8
IDB	35m	Gas Pipeline	June 8
IFC	7m	Soybean Processing Plant	June 9
IBRD	100m	Industrial Credit Project--modernization of export industries	Mid-Late June
IDB	83m	Petro-chemical Program	June

In the case of all IDB loans, our vote is subject to the Harkin Amendment. The \$40 million loan for potable water is likely to satisfy the "needy" criteria cited in the Amendment. In the past, we have also found that projects such as the \$35 million gas pipeline and the \$83 million petro-chemical project fell within the intent of the needy exemption of the Harkin Amendment. They are import developmental programs, and we would be able to measure the use of the loan funds and determine precisely how the money was spent. No formal "needy" determination has been made, however, on these particular loan proposals, partly because we have not yet recieved detailed documentation from the IDB.

In the case of IBRD loans, although there is no legislative requirement, the Administration is committed to advance the cause of human rights in the IFIs by voice and vote. We are unlikely to find that the \$100 million industrial credit loan meets the "needy" criteria. This is a typical program-type loan where the use of the funds are only broadly identified. We are also uncertain what position will be taken on the \$7 million IFC loan for petro-chemical program.

Department of State, WGIS/PS/SRP

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